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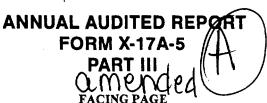
MISSION

OMB APPROVAL

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SEC FILE NUMBER



Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING_	01/01/2003	AND ENDING	12/31/2	0 • 3
	MM/DD/YY		MM/DD/YY	
A. REG	ISTRANT IDENTIF	ICATION		
NAME OF BROKER-DEALER: CAPITAL	MARKET SECURI	TIES, INC.	OFFICIAL	USE ONLY
ADDRESS OF PRINCIPAL PLACE OF BUS	NESS: (Do not use P.O. Box No.)		FIRM I.D. NO.	
121 EAST MAIN STREET				PROCESSED
	(No. and Street)			MAY 05 2004
KEMT	OHIO		44240	THOMSON
(City)	(State)		(Zip Code)	FINANCIAL
NAME AND TELEPHONE NUMBER OF PE	ERSON TO CONTACT IN	REGARD TO THIS RE	EPORT 30-364-33	V5-
	*****		(Area Code - Tele	phone Number)
B. ACC	OUNTANT IDENTI	FICATION		
ESCOTT & COMPANY	whose opinion is contained (Name – if individual, state las			
628 3. WATER STREET	KENT	01110		44240
(Address)	(City)	(State)	(Zip Code)
CHECK ONE:		,	- /s	BECEIVED CO.
☑ Certified Public Accountant				The state of the s
☐ Public Accountant				APR 27 X004)
☐ Accountant not resident in Uni	ted States or any of its po	essessions.		101 100
	FOR OFFICIAL USE	ONLY		

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Stephen	Clinton		, swear (or affirm) that, to the best of
my knowledge a	and belief the accompanying financial state Security Inc.	tatement an	d supporting schedules pertaining to the firm of
of December	31	, 20 63	, are true and correct. I further swear (or affirm) that
neither the com	pany nor any partner, proprietor, princi	pal officer	or director has any proprietary interest in any account
classified solely	as that of a customer, except as follow	s:	
			Signature
Α	INGELA LIGGETT		Priside-
NOTARY My Commis	PUBLIC, STATE OF OHIO ssion Expires February 13, 2008	_	Title
My Gomme	1. 1.		·
1/1/94	Votary Public		
	lotary Public		
	contains (check all applicable boxes):		
(a) Facing (b) Statem	Page. ent of Financial Condition.		
	ent of Income (Loss).		
` ` ′	nent of Changes in Financial Condition.		
(e) Statem	ent of Changes in Stockholders' Equity		
	nent of Changes in Liabilities Subordina	ted to Clain	ns of Creditors.
	utation of Net Capital.		D
	utation for Determination of Reserve Re nation Relating to the Possession or Cor		
			e Computation of Net Capital Under Rule 15c3-3 and the
	utation for Determination of the Reserve		
		udited State	ements of Financial Condition with respect to methods of
	lidation.		
	oth or Affirmation. y of the SIPC Supplemental Report.		
		found to exis	st or found to have existed since the date of the previous audit.
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^{**}For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CAPITAL MARKET SECURITIES, INC. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED DECEMBER 31, 2003

COMMON STOCK – JANUARY 1, 2003	\$ 25,000	
2003 ACTIVITY		
COMMON STOCK – DECEMBER 31, 2003		\$ 25,000
RETAINED EARNINGS – JANUARY 1, 2003	\$ 16,471	
2003 NET INCOME	47,427	
2003 SHAREHOLDER DISTRIBUTIONS	(25,866)	
RETAINED EARNINGS – DECEMBER 31, 2003	3	38,032
TOTAL SHAREHOLDER'S EQUITY – DECEMBER 31, 2003		\$ 63.032
DECEMBER 31, 2003		<u>\$ 63,032</u>

CAPITAL MARKET SECURITIES, INC.
SCHEDULE I – COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
DECEMBER 31, 2003

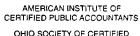
Net Capital – December 31, 2003	\$	45,985
Less: Non-Allowable Assets		
Net Capital – Required Minimum		5,000
Excess Net Capital	<u>\$</u>	40,985

No material differences exist between the above-referenced audited computation of net capital under Rule 15c3-1 and the amount of excess net capital reported on the unaudited Part IIA filing for the fourth quarter 2003 submitted on January 27, 2004.

CAPITAL MARKET SECURITIES, INC.

SCHEDULE II – COMPUTATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3
DECEMBER 31, 2003

The Company does not carry securities accounts for customers or perform custodial functions relating to customer activities as defined by Rule 15c3-3 of the Securities Exchange Act of 1934, therefore, the Company is exempt from the provisions of that rule. See attached Independent Auditor's Report dated February 17, 2004, under separate cover.



PUBLIC ACCOUNTANTS



RICHARD J. TINKER, CPA AL STEFANOV, CPA

RODNEY L. MISHLER, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors Capital Market Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Capital Market Securities, Inc. (the Company), for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedure for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1. Making quarterly securities examinations, counts, verifications, and comparisons
- 2. Recordation of differences required by rule 17a-18
- 3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's

authorization and recorded properly to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, NASD, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Kent, Ohio

February 17, 2004

Excett & Carray